

## Message Text

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ACTION AF-06

INFO OCT-01 ISO-00 SS-15 NSC-05 L-03 STR-04 DOTE-00 AID-05

CIAE-00 COME-00 EB-07 FRB-03 INR-07 NSAE-00 USIA-06

TRSE-00 XMB-02 OPIC-03 SP-02 CIEP-01 OMB-01 EUR-12

/083 W

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R 181600Z NOV 75

FM AMEMBASSY DAKAR

TO SECSTATE WASHDC 2922

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E.O. 11652: N/A

TAGS: BEXP, BLTN, SG

SUBJ: GM LOCOMOTIVE SALE TO GOS

1. SUMMARY. OPPORTUNITY TO SELL FIRST U.S. MADE LOCOMOTIVES TO SENEGALESE RAILWAY APPEARS LOST DUE TO SENEGALESE UNWILLINGNESS TO ACCEPT EX-IM FINANCING TERMS. ORDER HAS GONE TO FRENCH WITH LITTLE HOPE OF REVERSAL, SITUATION DESCRIBED BELOW POINTS UP NEED FOR CLOSER COMMUNICATION BETWEEN EX-IM, EMBASSY AND U.S. BUSINESS.

2. GOS MINISTER OF PUBLIC WORKS AND TRANSPORT MAMADOU DIOP SENT LETTER TO GM ELECTROMOTIVE ON JUNE 25 ORDERING THREE LOCOMOTIVES SUBJECT TO "FINALIZATION OF TERMS OF FINANCING". FINANCING AT THAT TIME WAS BASED ON EX-IM PRELIMINARY COMMITMENT

(PC) TERMS OF THEN STANDARD 45-45-10 AT 8 0/0 INTEREST AND 10 YEARS REPAYMENT FOR SIX LOCOMOTIVES.

3. ON AUGUST 22 EX-IM V.P. BEIM WROTE LETTER TO MAMADOU NDIAYE, DIRECTOR OF SENEGALESE RR, POINTING OUT THAT PC HAD EXPIRED BUT THAT EX-IM WAS PREPARED TO ARRANGE FINANCING FOR THREE LOCOMOTIVES ON STIFFER TERMS: 40-40-20 AT 8.5 0/0 INTEREST, SEVEN YEARS

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REPAYMENT. EX-IM SENT COPIES OF LETTER TO GM FINANCIAL DIVISION IN

NEW YORK AND SENEGALESE AMBASSADOR IN WASHINGTON. GM FINANCE APPARENTLY DID NOT PASS ON LETTER TO GM ELECTROMOTIVE NOR DID EMBASSY RECEIVE COPY OF LETTER.

4. SENEGALESE GOVERNMENT WAS UNWILLING TO ACCEPT STIFFER LOAN TERMS AND BEGAN SEARCHING FOR ALTERNATIVES WITHOUT NOTIFYING GM OR EX-IM. IN JULY, MINISTER DIOP AND RAILROAD DIRECTOR NDIAYE VISITED EUROPEAN RAILWAY CONFERENCE IN BOLOGNA, ITALY WHERE THEY MET WITH FRENCH MANUFACTURERS. OUTCOME OF THESE MEETINGS WAS FRENCH OFFER OF THREE ALSTHOM AD-16B LOCOMOTIVES PLUS THREE TRACTION MOTORS. ON OCTOBER 13, DIOP REPORTEDLY CABLED SENEGALESE AMBASSADOR IN WASHINGTON ASKING HIM TO TELL GM ELECTROMOTIVE THAT DEAL WAS OFF (NO DETAILS). THIS CABLE WAS A SURPRISE TO GM, ON OCTOBER 29, SENEGALESE PLACED ORDER FOR THREE FRENCH LOCOMOTIVES.

5. ACCORDING TO GLAIBER, DETAILS OF FRENCH OFFER ARE AS FOLLOWS: NO DOWN PAYMENT, 100 0/0 FINANCING BY FRENCH CAISSE CENTRALE POUR COOPERATION AND ALSTHOM, 12 YEARS REPAYMENT AT 6.34 0/0 INTEREST. SOFTER FINANCING CARRIED THE DAY, DESPITE NEGATIVE FACTORS OF 10 0/0 HIGHER PRICE, 17-MONTH DELIVERY TERMS (VS FIVE MONTHS FOR GM) AND INFERIOR QUALITY OF FRENCH LOCOMOTIVES (LATTER ACKNOWLEDGED BY SENEGALESE RR). AD-16B IS A NEW TYPE OF LOCOMOTIVE WITH NO SERVICE RECORD. PARTS ARE NOT INTERCHANGEABLE WITH OLDER FRENCH LOCOMOTIVES NOW IN SERVICE ON SENEGALESE RR.

6. SALE OF THREE GM LOCOMOTIVES WOULD HAVE ADDED \$1.4 MILLION TO U.S. EXPORTS TO SENEGAL (CURRENTLY AROUND \$30 MILLION PER YEAR). SYMBOLIC VALUE OF SALE WOULD HAVE BEEN MORE IMPORTANT, AND WOULD HAVE HELPED IMPROVE PROSPECTS FOR FUTURE SALES OF CAPITAL EQUIPMENT WHERE AMERICAN PRODUCTS ARE DEMONSTRABLY BETTER THAN THOSE CURRENTLY IN USE.

7. EMBASSY BELIEVES GM LOST OUT TO FRENCH FOR FOUR REASONS:

- A. DISINTEREST OF LOCAL GM REP (CHRISTIAN VALENTIN);
- B. FAILURE OF GM FINANCE TO NOTIFY GM ELECTROMOTIVE OF EX-IM AUGUST 22 LETTER TO EMBASSY;
- D. RESIDUAL FRENCH COMMERCIAL AND OTHER INFLUENCE.

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8. DCM AND ECON/COMM OFFICER ACCOMPANIED GLAIBER FOR CALL NOVEMBER 15 ON CABINET DIRECTOR SALL IN PUBLIC WORKS MINISTRY. SALL TOLD EMBOFFS AND GLAIBER THAT LOCOMOTIVE DEAL WITH GM/ EX-IM IS DEFINITELY OFF, AND THAT SENEGALESE GOVERNMENT WILL PREPARE LETTER SO INFORMING GM ELECTROMOTIVE. HOWEVER, HE LEFT DOOR OPEN FOR GM PARTICIPATION IN OTHER RAILWAY PROJECTS WHICH WERE NOT SPELLED OUT. GM WILL BE CONTACTING EX-IM TO TRY TO CONVINCE EX-IM TO IMPROVE TERMS OF AUGUST 22 OFFER.

9. LOCAL GM REP VALENTIN ASSURED US MANY TIMES THAT THINGS WERE  
GOING SMOOTHLY DESPITE HIS REPEATED FAILURE TO ANSWER GM CABLES.  
IF EMBASSY HAD BEEN INFORMED OF EX-IM BANK AUGUST 22 LETTER,  
WE MIGHT HAVE BEEN ABLE AT LEAST TO REPORT GOS REACTION, AND  
THEREBY GIVE GM CHANCE OF MAKING A TIMELY FINAL EFFORT.  
AGGREY

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## Message Attributes

**Automatic Decaptioning:** X  
**Capture Date:** 01 JAN 1994  
**Channel Indicators:** n/a  
**Current Classification:** UNCLASSIFIED  
**Concepts:** FOREIGN INVESTMENT, ROLLING STOCK, RAILROADS, FINANCIAL PROGRAMS  
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**Copy:** SINGLE  
**Draft Date:** 18 NOV 1975  
**Decaption Date:** 01 JAN 1960  
**Decaption Note:**  
**Disposition Action:** RELEASED  
**Disposition Approved on Date:**  
**Disposition Authority:** CunninFX  
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**Disposition Comment:** 25 YEAR REVIEW  
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**Original Handling Restrictions:** n/a  
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**Review Authority:** CunninFX  
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**Review Content Flags:**  
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**TAGS:** BEXP, EFIN, EINV, SG, XMB  
**To:** STATE  
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